

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

HB 1639 - SB 1693

February 7, 2016

SUMMARY OF BILL: Requires buses that are used exclusively for the transportation of students pursuant to a contract with a local education agency (LEA) to be registered as passenger motor vehicles instead of motor vehicles operating for hire.

ESTIMATED FISCAL IMPACT:

On January 28, 2016, a fiscal note was issued estimating a fiscal impact as follows:

*Decrease State Revenue – Net Impact – \$8,600/General Fund
\$422,200/Highway Fund*

Based on additional information provided by the Department of Education on the number of privately-owned buses used for transportation of students pursuant to a contract with an LEA, as well as information regarding commercial activity of such buses, the assumptions have been modified to more accurately reflect the impact of the proposed legislation. The corrected fiscal impact is estimated as follows:

(CORRECTED)

**Decrease State Revenue – Net Impact – \$6,000/General Fund
\$294,800/Highway Fund**

Corrected Assumptions:

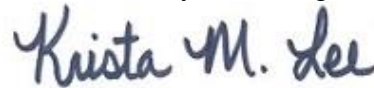
- Pursuant to the Attorney General's Opinion No. 15-53, issued on June 25, 2015, buses that are used exclusively for the transportation of students pursuant to a contract with an LEA should be registered as motor vehicles operating for hire pursuant to Tenn. Code Ann. § 55-4-112(a).
- On September 11, 2015, the Department of Revenue has instructed all county clerks, in accordance with Attorney General's Opinion, to register all such buses as motor vehicles operating for hire.
- It is therefore assumed that, under current law, all such buses will be registered as motor vehicles operating for hire in FY16-17 and subsequent years.
- Registration fees are established based on seating capacity for passengers of such motor vehicles as follows:

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- \$37.13 for vehicles with no more than 7 seats;
- \$86.63 for vehicles with over 7 seats and not more than 15 seats;
- \$152.63 for vehicles with over 15 seats and not more than 25 seats;
- \$235.12 for vehicles with over 25 seats and not more than 35 seats; and
- \$317.63 for vehicles with over 35 seats.
- The proposed legislation would require such buses to be registered as passenger motor vehicles pursuant to Tenn. Code Ann. § 55-4-111(a)(1) as Class (B) vehicles, for which the registration fee is \$18.75.
- According to the Department of Education, there are 2,779 privately-owned buses operated through a contract with an LEA.
- The exact number of such privately-owned buses that are not used exclusively for the transportation of students is unknown. However, it is reasonably estimated that approximately 50 percent of such buses, or 1,389 (2,779 x 50%), are also used for commercial purposes and would not qualify to be registered as a passenger motor vehicle under the proposed legislation.
- The remaining 1,390 buses (2,779 – 1,389) will qualify to register as passenger motor vehicles. This number is assumed to remain constant in subsequent years.
- The average seating capacity of such buses is unknown. However, it is assumed that most buses have a seating capacity of over 15 seats.
- The average registration fee that would be imposed on such buses under current law is estimated to be \$235.13 $[(\$152.63 + \$235.12 + \$317.63) / 3]$.
- Pursuant to Tenn. Code Ann. § 55-6-107, 98 percent of registration fee revenue is deposited in the Highway Fund and 2 percent is allocated to the General Fund.
- The net recurring decrease in state revenue is estimated to be \$300,768 $[(1,390 \text{ buses} \times \$235.13 \text{ fee}) - (1,390 \text{ buses} \times \$18.75 \text{ fee})]$. Of this amount, \$294,753 would be a recurring decrease to the Highway Fund $(\$300,768 \times 98\%)$, and \$6,015 would be a recurring decrease to the General Fund $(\$300,768 \times 2\%)$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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